



April 14, 2016

Mr. Brad Farmer, Finance Director
City of Pittsburg
65 Civic Avenue
Pittsburg, CA 94565

Dear Mr. Farmer:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Pittsburg Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 29, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 117 – Tax Allocation Bonds (TAB) 2004A, Second Year Required Debt Service funding for fiscal year 2017-18, in the amount of \$4,660,000, is not allowed at this time. The Agency provided the Official Statement; however, this document is insufficient to support the requested amount because it doesn't require the Agency to prefund a second year of debt service with the bond trustee. Additionally, it is our understanding the Agency may have completed the refunding of this and other TABs, and the requirement to prefund this item may no longer be necessary. Finance requested documentation to support the requirement; however, to-date, the Agency has not been able to demonstrate the requirement. Therefore, at this time, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. To the extent the Agency can provide documentation to support the requirement for prefunding of the second year debt service payment, the Agency may be able to obtain funding on future ROPS.
- Finance approved the refunding of the following bonds in our determination letter dated December 4, 2015 regarding oversight board (OB) Resolution Nos. 15-037 OSB and 15-038 OSB:
 - Los Medanos Community Development Project Housing Set Aside Tax Allocation Bonds, (Taxable) 2004 Series A
 - Los Medanos Community Development Project Subordinate Tax Allocation Bonds, 2004 Series A

- Los Medanos Community Development Project Subordinate Tax Allocation Bonds, (Taxable) 2006 Series B
- Los Medanos Community Development Project Subordinate Tax Allocation Bonds, 2006 Series C
- Los Medanos Community Development Project Subordinate Tax Allocation Refunding Bonds, 2008 Series A

It is our understanding all or a portion of these bonds are still in the process of being refunded. To the extent bonds approved for refunding per these OB Resolutions are refunded in accordance with HSC section 34177.5, the Agency may use Redevelopment Property Tax Trust Funds (RPTTF) received for payment of the original bonds. Any bonds whose refunding is finalized must be separately identified as a new item in a subsequent ROPS and will be subject to Finance's review and approval. Further, pursuant to HSC section 34186 (a), the Agency is required to report estimated obligations and actual payments. Any unspent funds should be reported as prior period adjustments.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$45,338,053 as summarized in the Approved RPTTF Distribution Table on Page 3 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

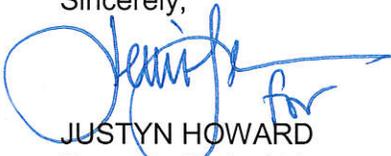
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor, or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Justyn Howard', with a large circular flourish on the left side and a horizontal line extending to the right.

JUSTYN HOWARD
Program-Budget Manager

cc: Ms. Maria Aliotti, Development Manager, City of Pittsburg
Mr. Bob Campbell, Auditor-Controller, Contra Costa County

Attachment

| Approved RPTTF Distribution | | | |
|--|----------------------|----------------------|----------------------|
| For the period of July 2016 through June 2017 | | | |
| | <u>ROPS A Period</u> | <u>ROPS B Period</u> | <u>Total</u> |
| Requested RPTTF (excluding administrative obligations) | \$ 29,457,186 | \$ 20,540,867 | \$ 49,998,053 |
| Requested Administrative RPTTF | 0 | 0 | 0 |
| Total RPTTF requested for obligations on ROPS 16-17 | 29,457,186 | 20,540,867 | \$ 49,998,053 |
| Total RPTTF requested | 29,457,186 | 20,540,867 | 49,998,053 |
| <u>Denied Item</u> | | | |
| Item No. 117 | (4,660,000) | 0 | (4,660,000) |
| Total RPTTF authorized | 24,797,186 | 20,540,867 | \$ 45,338,053 |
| Total Administrative RPTTF authorized | 0 | 0 | \$ 0 |
| Total RPTTF approved for distribution | 24,797,186 | 20,540,867 | \$ 45,338,053 |